

Attachment: Example Spreadsheet Description

**Description of File Demonstrating Standard Mail Cap Impact if Change
In Label Requirements in Docket No. R2009-2 were Treated Similarly to IMBs**

The Reply Comments of the United States Postal Service discuss a concrete example of how a previous change in mailing standards would have altered the cap calculation for Standard Mail if the Commission had been treating all changes in mailing standards in the same way it is treating IMb requirements. Attached to the Reply Comments electronically is a spreadsheet supporting the discussion of the example, and this attachment describes that spreadsheet.

Back in 2009, the Postal Service required flats mailers to change the locations of their labels, among other changes, to promote more efficient mailing operations. Failure to do so would have resulted in the mailers paying the single piece First-Class Mail price for the flats being mailed. At the time, the single piece one-ounce Flats price for First-Class Mail was proposed to be \$0.88 per piece. Yellow highlights are used to show wherever there are changes from the first sheet to the three sheets that follow.

The first tab, "Cap Test Calculations" is copied directly from the Docket No. R2009-2 file "Recalc of Standard Mail Cap.xls," tab "Rate Increase Summary," filed by the Postal Service on March 26, 2009, and is the cap calculation for Standard Mail in that price adjustment. This page shows that the United States Postal Service increased Standard Mail prices in the aggregate by 3.759 percent in Docket No. R2009-2.

The second tab, "20% Compliance" shows what the price increase would have been if 20 percent of all Standard Mail Flats mailers had been compliant with the change in labelling standards, and the 80 percent of the mailers not in compliance would have had to pay the higher First-Class Mail single piece flats price. This was done by moving 80 percent of the volumes out the Commercial Standard Mail Flats row (row 14), and 80 percent of the volume out of the Nonprofit Standard Mail Flats row (row 15) and moving these volumes into a new row labelled Non-Compliant Labels (row 16). The volumes in the new row would have the same combined *current* price as before, but for the *planned* price, the mailers would pay \$0.88 per piece, instead of the prices that were actually proposed in the sheet. Changing the proposed price per piece from \$0.376 per piece to \$0.88 per piece would have resulted in a class-wide price increase of 23.1 percent, well above the 3.8 percent price cap that was in effect at the time. Note that in this tab, and the other tabs as well, the hypothetical adjustment is limited to pieces within the Standard Mail Flats product, and does not extend to other flat-shaped pieces in other products within Standard Mail. Because the new requirements regarding address label location applied to those other flat-shaped Standard Mail pieces

as well, the calculated adjustment is a conservative estimate of how this hypothetical example would have affected the calculated price cap for the proposed rates.

The third tab, “50% Compliance” shows what the price increase would have been if 50 percent of all Standard Mail Flats mailers had been compliant with the change in labelling standards, and the 50 percent of the mailers not in compliance had to pay the higher First-Class Mail single piece flats price. This was done by moving 50 percent of the volumes out the Commercial Standard Mail Flats row (row 14), and 50 percent of the volume out of the Nonprofit Standard Mail Flats row (row 15), and moving these volumes into a new row labelled Non-Compliant Labels (row 16). The volumes in the new row would have the same combined current price as before, but for the planned price, the mailers would pay \$0.88 per piece instead of the prices that were actually proposed in the sheet. Changing the proposed price per piece from \$0.376 per piece to \$0.88 per piece would have resulted in a class-wide price increase of 15.847 percent, well above the 3.8 percent price cap that was in effect at the time.

The fourth and final tab, “80% Compliance,” shows what the price increase would have been if 80 percent of all Standard Mail Flats mailers had been compliant with the change in labelling standards, and the 20 percent of the mailers not in compliance had to pay the higher First-Class Mail single piece flats price. This was done by moving 20 percent of the volumes out the Commercial Standard Mail Flats row (row 14), and 20 percent of the volume out of the Nonprofit Standard Mail Flats row (row 15), and moving these volumes into a new row labelled Non-Compliant Labels (row 16). The volumes in the new row would have the same combined current price as before, but for the planned price, the mailers would pay \$0.88 per piece instead of the prices that were actually proposed in the sheet. Changing the proposed price per piece from \$0.376 per piece to \$0.88 per piece would have resulted in a class-wide price increase of 8.594 percent, well above the 3.8 percent price cap that was in effect at the time.